TRANSCRIPT

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PRESENTATION

Tom Gorman - *Brambles Limited - CEO*

Well, good morning and thank you for joining us for the presentation of Brambles' results for the year ended 30 June 2013. I'm Tom Gorman, CEO of Brambles and joining me today is our CFO Zlatko Todorcevski. I'll start today's presentation by reviewing some of the highlights of the year. Zlatko will then take you through a more detailed analysis of our FY13 financial performance and our FY14 outlook. I will then close the presentation by providing some context around the implementation of our strategy. We will open for Q&A at the end of our prepared comments.

For FY13 we have delivered Underlying Profit within the guidance range we forecast 12 months ago, as well as delivering a strong improvement in cash flow. Within our Pooling Solutions business we have achieved sales growth in all regions despite continued subdued conditions in the consumer sectors of the world's major economies. There was a particularly strong contribution to sales from Pallets Americas and from the RPC operations globally. In addition to higher sales we delivered improving sales mix as well as operational efficiencies, enabling us to deliver improved margins, while asset efficiency improvements are driving a higher return on capital. Following the cancelled divestment process in 2012, the Recall business had a challenging year, reflecting the lower levels of customer activity that have affected the information management industry. The demerger process that we announced last month is firmly on track. We expect to release the scheme book in late October, hold the shareholder meeting in early December, and complete the demerger before the end of this calendar year, subject of course to the relevant shareholder, court and regulatory approvals. Because we expect Recall to be an independent entity by the end of this calendar year, we are excluding it from our forecast for Underlying Profit for the 2014 financial year. That forecast for Brambles, excluding Recall, of US$930 million to US$965 million at 30 June 2013 foreign exchange rates, reflects Underlying Profit growth of 4% to 8% on a like-for-like basis.

I'd like now to discuss the highlights of the year in a bit more detail. Our group financial performance was strong, in line with our forecasts. Sales revenue growth of 5% to US$5.9 billion translated to an 8% increase in operating profit to US$1.01 billion and an 11% increase in profit after tax to US$641 million. The growth rate in basic earnings per share of 6% reflects the share issuance impact of the June 2012 rights issue. On an underlying basis, that is excluding Significant Items, profit growth was up 5%. The result of US$1.057 billion at actual FX rates translates to US$1.04 billion at 30 June 2012 FX rates and this is the midpoint of our original guidance of US$1.01 billion to US$1.07 billion at those same June 2012 rates. Our free cash flow result was strong, with an increase of US$329 million to US$509 million. Zlatko will discuss the drivers behind this performance in more detail shortly. Our final dividend announced today of AUD0.135 per share takes our total FY13 dividend to AUD0.27, which is an increase of AUD0.01 or just under 4%.

Although our result was strong and we are on track with delivering against our key long-term strategic targets, the 2013 financial year was not without its challenges, as this slide. Let's start with the areas in which we met or exceeded our forecasts. We saw another strong year of growth in sales revenue in emerging markets. We are on track with the delivery of our operational efficiency program in Pallets and the IFCO integration synergies and we achieved our Underlying Profit guidance. In three other areas, however, we have scored ourselves with an amber circle. This indicates that we have partially met our target where we delivered solid performance but we did not achieve the specific target we set last year. So in the case of our expectation that we would generate sales growth in all segments, although Pooling Solutions businesses delivered, the industry conditions impacting Recall meant we did not deliver the target in that business. In RPCs, while constant currency sales growth was strong at 10%, and particularly strong in North America at 18%, our growth in the US was nonetheless somewhat slower than we anticipated. We do however remain bullish on our growth prospects for RPCs in North America as growers and retailers remain committed to this more efficient supply chain solution. In Containers, we have directed considerable effort toward growing the IBC operations. This is primarily through the acquisition and successful integration of Pallecon. Slower than anticipated customer conversion in the US auto sector means however that we have not delivered a second year of doubled revenue in the combined Auto, US IBC and Aerospace areas. The area in which we have fallen short of our target is with the Recall cost base. As the year progressed, we took the decision to reinvest a portion of the discretionary costs we had taken out in FY12 and we did this in order to drive growth in future years and build value in this business.

The components of our sales revenue growth in the period are set out on this slide on a constant currency basis for ease of comparison with FY12. Now, constant currency means that we have translated current period results into US dollars at the actual monthly exchange rates applicable in the prior comparable period so as to show relative performance between the two periods before the translation impact of currency fluctuations. Now, unless I state otherwise I'll give comparisons on this basis from here on and of course I'm doing this in US dollars.

Throughout our Pooling Solutions business we grew -- our growth was strong at 8% with the contribution from market share expansion again driving the bulk of this performance. From this year on, we are limiting our definition of net new business wins to the Pallets segment despite the obviously strong new sales momentum in RPCs and Containers. This really reflects the fact that in RPCs in particular, breaking out lane expansion with existing retailers which we would define as a new win within the Pallets methodology, is really not feasible, even though growth of this kind here, for example with Loblaws in Canada, is in fact the main driver of the growth in the RPC business.

In Containers almost all non-acquired growth is coming from new business wins in Aerospace, IBCs and the Automotive sector, albeit at a somewhat slower rate than we anticipated at the start of the financial year. What you can clearly see in the chart is the strong contribution from new wins in Pallets, other growth in Pallets and growth in the rest of the Pooling Solutions business. This chart also highlights the contribution of acquisitions in the period and this is primarily reflecting the impact of Pallecon, which was acquired in December. I'll now talk in more detail about growth in the Pallets business.

As we indicated at our last result, we have tried to simplify the way we present new business wins data. The chart on the left shows the contribution of net new business wins to total sales growth in FY13 for each of the Pallet regions and again we've done this in constant currency terms. It ties in with the Pallets new business growth shown on the previous slide of US$131 million, comprising US$77 million for the Americas, US$47 million for EMEA and US$8 million for Asia Pacific. The darker blue section represents the contribution in FY13 of business won during FY12 but which did not contribute for the full year in FY12. For example, if we won business six months into FY12, then six months of that would have been recognised as a new win in FY12 and six months in FY13. The paler blue section represents the contribution in FY13 from new business that was actually won in that year.

Now, in the chart on the right we show the expected contribution in FY14 of business won during FY13 but which did not contribute for the full year in FY13 by region, and we have included the comparisons for '12 and '13 for illustrative purposes. Now, in addition to business won back from IGPS, contributors to the Americas sales growth momentum include contracts with the Niagara and Crystal Geyser water bottlers in the US, the food group Sofina and meat packer Olymel in Canada and the confectioner Mars in Brazil. In the EMEA region, major contributors included the Procter & Gamble, Unilever and Orangina Schweppes wins which we disclosed at the half year, as well as the drinks company Refresco Kentpol and Danone Waters in Poland, and in Germany, increased retailer acceptance of the CHEP pooled pallet solution, which is driving conversion from white pallet exchange. The Asia Pacific new business performance reflects the relative maturity of the Australian operations, although we continue to expand with new and existing customers off a relatively small base in Asia. I'll now discuss the FY13 results in each business unit in a bit more detail.
Sales revenue in the Americas region was up 8% to US$2.2 billion with CHEP USA customer wins the main driver, supported by growth in Canada, Latin America and the IFCO PMS business in the US. The Underlying Profit result of US$419 million is up 15%, reflecting the ongoing delivery of efficiencies and the PMS integration synergies, which were more than adequate to offset increased lumber costs we were facing in the United States. We are also seeing continued incremental asset efficiency improvements, which, along with the profit improvement, is driving a much improved return on capital invested.

In EMEA the 5% sales revenue growth to about US$1.35 billion was very solid, particularly in the context of the ongoing economic malaise that we all are aware of in the region. Western Europe growth was 2% as the resilience of the UK & Ireland business and the growth in the underpenetrated countries continued to offset flat conditions in France and organic sales declines in Iberia. And of course that's reflecting those difficult market conditions in those two countries.

We continue to make progress in Germany and Italy, with increasing retailer acceptance continuing to enable us to gain share from white pallet exchange. Momentum remains strong in the emerging markets of Central and Eastern Europe as well as Middle East and Africa. The increase in underlying profit of 7% to US$282 million reflected the operational efficiencies that we are achieving in the EMEA region, which is offsetting our investment in emerging market business development and is also supporting a solid improvement and return on capital invested to about 23%.

Moving on to Asia Pacific. The result in Asia Pacific reflected the subdued state of the Australian economy and a somewhat slower rate of growth in Asia, where we have adjusted our rate of investment to be consistent with each country's pace of supply chain modernisation. We are focusing on driving dynamic pooling in FMCG and have deliberately slowed down investment in closed loop flows or static hire. Sales growth for Asia Pacific was 5% to US$392 million. Underlying Profit was up 4% to US$79 million and this reflected profitable sales growth, which was offset partially by lower compensations. This of course is a result of improved asset control, particularly in Australia. Our margin performance was improved in the second half. Although return on capital invested was down less than 0.8 percentage points to 18.8% and this reflects our ongoing investment in Asia.

Let's now look in more detail at the RPC business, which had another very strong year. Total sales revenue of US$813 million reflected global growth of 10% with a strong contribution from North America, Europe, ANZ and South Africa. All the expansion in Australia, which we announced in February, is progressing well and was a key contributor to sales growth in FY13 along with Loblaws in Canada and Kroger, HEB and Safeway in the United States. We have recently signed contracts with new retailers in Europe including Migros in Turkey and Lombardini in Italy. The smallest region, South America, had some challenges in FY13 but I am very pleased to report that Walmart in Brazil has now extended its agreement with IFCO and this will support growth in South America in FY14. Underlying Profit in RPCs was up 13% to US$139 million, reflecting operational and scale efficiencies, while return on capital invested was up 0.4 points to 9.5%. That translated to about 24% if we exclude the goodwill impact associated with the IFCO acquisition. You also will have seen our announcement today of Karl Pohler's retirement as leader of the RPC business, to be succeeded by his COO Wolfgang Orgeldinger. Karl has been a great leader of the IFCO team for 13 years and he's been extremely supportive of IFCO becoming part of Brambles since we acquired the company in 2011. We are however extremely fortunate that we have a natural successor in Wolfgang with such deep operating expertise and knowledge of the business. Now, as part of this leadership transition process, IFCO's CFO Michael Nimtsch will also be retiring from Brambles. Michael will remain with us until the end of this calendar year to help manage the handover to his successor. We wish both Karl and Michael all the best.

Let's move on now to review the Containers operations. Sales revenue in Containers was US$326 million, up 20%, with a strong contribution from the Pallecon acquisition, our first full year of contribution from Driessen and the new business momentum in Aerospace, US IBC and US and European Automotive. The Pallecon acquisition was an extremely important step in our creation of a global IBC business and I'm pleased to say that the integration of the business with the pre-existing CHEP operations in Australia, New Zealand and Europe and the formation of CHEP Pallecon Solutions has really gone very smoothly. Growth in the acquired Pallecon operations in the second half of FY13 was 6% compared with the second half of FY12. As we indicated at our half-year results, growth elsewhere in Containers improved in the second half, rising to about 5% for the full year as wins in CHEP Aerospace Solutions such as maintenance contracts with American Airlines and Qatar Airways and a pooling contract with Air Canada began to contribute, as did new business in the US IBC and growth with existing customers in the US Automotive business. Now, this growth helped offset the very tough conditions in the Australian Automotive sector in which sales were down 19% in the period. Unfortunately, we do not expect Australian Automotive industry conditions to improve in the foreseeable future given the outlook for domestic automotive production. Conditions in Europe Auto and CCC have remained flat. Now, looking into FY14, wins with specialty truck manufacturer Oshkosh in the US, Eberspacher and Bosal in the European Automotive industry and United Airlines and Thomas Cook in Aerospace will all contribute to our growth momentum, as will recent contract wins in the US IBC business, where we recently won business with ConAgra. Underlying Profit in Containers was down 10% to US$28 million and ROCI was down almost six points to 8.3%. Now, this performance was expected, as we've been open about our considerable investments that we're making in developing this business, to develop future growth and strong returns.

Now moving onto Recall, I'd like to make a few comments on the Recall results. Sales revenue was down 3% to US$807 million. Now, the main driver of which was the decline in customer activity throughout the industry. This reflected lower project work for customers retrieving and re-sorting stored documents and lower activity levels in secured destruction, as well an impact in the first half from lower paper prices. Document storage, however, remains robust, with carton volumes up 3%. Carton storage revenue was up 5% in the period. There was a reduction in Underlying Profit of 16% to US$144 million. Albeit, this was the top end of our guidance we gave when we announced the de-merger in July. Lower return on capital invested reflected the overall financial performance, but Recall has momentum going into FY14. I would like now to hand over to Zlatko to provide more analysis on our results.

Zlatko Todorcevski - *Brambles Limited - CFO*

Thanks Tom and good morning everyone. I'll start with an overall summary of the results for the continuing operations in Pooling solutions and Recall. These figures include Recall in continuing operations because of the demerger of the business, which remains subject to approval of shareholders and regulatory authorities. We've included growth using both constant currency and actual foreign exchange rates on these slides. However, I will be talking about the constant currency comparisons unless I state otherwise.

Sales revenue from continuing operations for Brambles for the year was up 6%. All regions delivered increased sales except for Recall. Underlying Profit, excluding Significant Items, was up 7%. This profit outcome reflects the contribution of the higher sales and efficiencies and synergies achieved in the Pallets business. Including Significant Items, operating profit was up 10% on the prior year. Profit after tax increased 14%. The effective tax rate on operating profit of 29% was higher than the 27% in the prior corresponding period and that was really the result of higher profits in the USA and higher non-deductible costs in FY13. The interest expense fell US$41 million due to the lower average net debt, compared to 2012, following receipts from the rights issue at the end of the last financial year. We also had the benefit of lower interest rates in FY13 on the drawn debt.

Pallet sales revenue increased 7%. The majority of this growth was due to new business wins in all regions, but particularly in the Americas. CHEP USA delivered 7% growth, with strong new business wins, as Tom has discussed. PMS sales were up 9%. Excluding Paramount, the business we acquired in FY12, Canada delivered a solid 6% sales growth. Latin America delivered a strong 14% growth and sales prices in the Americas region were up 2% with organic volume also up 2%, largely driven by the PMS in Latin America. In Europe, Middle East and Africa sales were up 5%. Within this result, Western Europe was up 2%, Central & Eastern Europe was up 47% and Middle East & Africa was up 14%. Within Western Europe, UK & Ireland was up 4%. France's sales were flat, while Iberia was down 3%, due to the continued economic weak environment we're seeing in that country at the moment. The rest of Western Europe was up 5%, driven by growth in Italy, Benelux and Germany. In Europe, Middle East & Africa, prices increase contributed 2% of the sales growth, while organic volumes remain flat, as a sales decline in Spain offset growth elsewhere. In Asia-Pacific sales were up 5%, mainly as a result of continued growth in our Asian operations. Australia and New Zealand achieved a modest 2% sales growth, mainly through price. Volumes in ANZ were relatively flat. Asian Pallets sales grew 25% to US$52 million, predominantly from new businesses. The Pallets business improved its margins and returns during the year. Both return on capital invested an Underlying Profit increased to 20%, which was predominantly through efficiencies and IFCO integration synergies.

I'll now review the profitability of each of the Pallets regions in turn, starting with the Americas. Overall in the Americas, operating profit increased 20%. Volume, price and mix improvements in the CHEP operations contributed US$68 million of additional profit. The US$4 million profit impact of PMS sales improvement has been shown separately because of the different profiles of the PMS business model to the pooling model. Efficiency programs across the Pallets Americas operations delivered US$40 million in net savings, including US$11 million of CHEP and PMS integration benefits. The US$43 million of additional direct costs in the Americas principally relate to higher lumber costs in the US and Latin America of about US$23 million, increased investment in asset recovery of about US$8 million in increased depreciation on the growing pool. There is a chart in lumber costing appendices to this presentation for the US, to give you a sense of how lumber prices have changed over the years. There were US$9 million of business development cost relating to investment in the LeanLogistics business, Latin America expansion and strategic projects focused on improving future returns. The US$4 million of other costs relates primarily to overhead inflation. Significant Items primarily reflects the costs of restructuring the prior period.

In Europe, Middle East & Africa, operating profit from Pallets increased 4% compared with the previous year. Increased sales delivered US$43 million of volume, price and mix benefit. The global Pallets efficiencies program has continued to deliver in Europe: US$7 million of savings in excess of costs inflation was delivered in the year. A US$6 million increase in business development costs reflects the continued investment in expansion into Central & Eastern Europe and other strategic initiatives. The US$23 million of additional other costs relates to a number of items and timing impacts and includes increased employee bonuses, due to the improved financial performance in the region, a non-recurring write-off of a small number of non-standard obsolete pallets in France and an increase in the IPEP expense as a result of the timing of closure of audits. The increase in Significant Items largely reflects restructuring costs related to initiatives that are planned to contribute to future efficiencies.

In Asia-Pacific Pallets, there was US$11 million of growth in volume, price and mix. There was a US$3 million increase in direct costs relating to additional repair and relocation costs mainly in Australia. In Asia-Pacific, efficiencies achieved in the year fully offset cost inflation. A further US$2 million was invested in Asia to support growth in that region. The US$3 million of other costs mainly relates to lower compensations received in Australia and New Zealand, as a result of lower pallet losses.

In the RPCs segment, sales revenue increased 10%. IFCO continued to increase its penetration with existing customers, to convert new retailers from disposable solutions to RPCs and to expand the rollout of newer products, such as egg and meat crates. Europe sales were up 8% and North America up 18%. IFCO South America sales were up just 3%, due to short term challenges in Brazil. The CHEP Australia & New Zealand and CHEP South Africa RPC businesses continue to grow well, as Tom has mentioned. Underlying Profit increased 13% on the prior corresponding period and margins on return on capital invested remains at the same level as last year. The 10% sales growth delivered US$23 million of additional volume, price and mix benefit to the operating profit. Continued optimisation of transport lanes in IFCO and economies of scale efficiencies in wash plants delivered direct costs savings, but these were more than offset by increases in other customer costs in Europe. Significant items in the prior year related to the integration of the IFCO business with CHEP.

Container sales revenue grew 20%. We continue to grow our Automotive operations in North America and Asia. However, sales revenue from the sector globally was flat because of weak industry conditions in the Australian business in particular, and a flat result in Europe. The Aerospace Solutions operations contributed positively to sales growth, reflecting new business growth, and the inclusion of Driessen Services, acquired in November 2011, for the full 2013 financial year. In IBCs, the Pallecon business we acquired in December 2012 contributed US$34 million of sales revenue. The IBC operations in the USA, CAPS, also drove further growth in IBCs. Sales in CHEP Catalyst & Chemical Containers increased by 1%, reflecting muted customer activity. Operating profit in the Containers segment was down 12%. Sales growth in the US IBC, US and Asia Automotive and Aerospace businesses, which currently have lower profitability because they're in the early stages of growth, was unable to offset the decline in the established Automotive business. Direct costs increased US$2 million, largely as a result of cost inflation. A further US$9 million has been invested for future expansion to Containers businesses. This included the cost of a new management team and business development costs in Automotive, Aerospace, IBCs and Intercontinental. The acquired Pallecon and Driessen businesses contributed US$8 million of additional operating profit in the period.

In Recall, sales fell 3%, mostly because of the decline in transactional customer activity in both Document Management Solutions and Secure Destruction Services. Lower paper prices also contributed. However, this was partially offset by a 3% growth in carton holdings and some price increases driving 5% sales growth in DMS retention. Recall Americas' sales decline of 4% was mostly impacted by the decline in secure destruction price and activity. Recall Europe's 7% decline included a significant reduction in activity across the industry in Europe. Growth in Recall's rest-of-the-world region, which is mainly Australia, was a modest 2%. Half of this growth was through price in Document Management Solutions, while volumes accounted for the balance. Underlying Profit fell 16%. The decline in sales in the more profitable activity revenue was the main reason. The Underlying Profit margin and return on capital invested fell three percentage points. Significant Items increased by US$2 million and FY13 includes US$15 million of impairment of previously capitalised software, while FY12 included restructuring costs.

This next slide shows the components of Recall's operating profit. The negative move in paper prices had a US$4 million profit impact. The decline in sales activity resulted in a US$16 million decline in volume, price and mix. Direct cost savings partially offset the reduction in sales. The US$10 million increase in other costs relates to increased business development activities compared with the low levels in 2012. These costs were necessary to support future growth.

I'll now review cash flow at actual foreign exchange rates. Operating cash flow from continuing operations at US$859 million was up US$268 million on 2012. This reflected increases in EBITDA, the favourable timing of capex payments and an US$83 million improvement in working capital movements. The prior corresponding period included a one-off lowering of creditor days outstanding in response to tough economic conditions for some key suppliers and we managed to turn that around in 2013. The cash outflow in the provisions/other line is US$70 million lower, reflecting higher payments in the prior period on bonuses, software and legal matters. Tax paid fell US$24 million because of the timing of payments, while interest paid fell US$43 million because of the reduction in average debt. Dividends paid increased on the prior period, following the increase in the number of shares on issue, as a result of the rights issue in June 2012 and increased interim dividend to 13.5 Australian cents per share. In FY14 increased EBITDA is expected to be offset by increased capital expenditure required to support further growth and operating efficiencies.

This next slide shows capital expenditure over the past four years on an accruals basis, excluding the impact of the timing of payments I discussed on the previous slide. As shown in yellow, during this financial year we incurred US$190 million of capex associated with our program to invest in expanding our emerging Pallets markets, RPCs and Containers operations over the 2012 and 2013 financial years. We've therefore incurred US$430 million of capex in these growth areas compared with the US$550 million we anticipated. The majority of the shortfall is in the Containers business, where we have experienced longer conversion times for sales opportunities. We have also, of course, invested in accelerating Containers growth through the acquisition of Pallecon for US$179 million, which is not included in capex. Pallets capital expenditure in the developed markets shown here in dark blue has increased slightly. The majority of this is to support growth in Pallets in North America and also some investment in plant and equipment support the delivery of operations and logistics efficiency programs. Maintenance capex across the Pallets segment remained relatively unchanged. Recall's capital expenditure increased this year, reflecting investments to support future expansion.

Moving now to the balance sheet. Net debt at 30 June 2013 was US$2.7 billion, broadly in line with June 2012 and December 2012. In July 2012 we received the US$117 million in proceeds from the retail component of the June rights issue. We also generated US$83 million of free cash flow after dividends. These were offset by the US$179 million of acquisition costs for Pallecon. Net debt to EBITDA was at 1.68 times. While EBITDA interest cover increased to 14.6 times, due to the reduction in interest expense. The average duration of our debt portfolio was steady at 3.6 years at 30 June 2013. Our undrawn committed credit facilities were US$1.2 billion at 30 June.

For 2014, we're providing guidance excluding Recall, as guidance for that business will ultimately be an issue for its new Board. Our guidance is at 30 June 2013 foreign exchange rates and is subject to our usual disclaimer, a copy of which is at the back of this presentation. For Brambles excluding Recall, we expect constant currency sales revenue growth in all segments, with Underlying Profit between US$930 million and US$965 million. Underlying Profit for FY13 was US$913 million excluding Recall, which translates to US$895 million at 30 June 2012 foreign exchange rates. Our guidance implies growth of 4% to 8% at those rates. This guidance reflects our ability to keep delivering profitable growth for shareholders, at the same time as we invest in important areas, such as asset efficiency, innovation and business development and pursue improvements in return on capital invested. With that, now I'll hand you over to Tom.

Tom Gorman - *Brambles Limited - CEO*

Well, thanks very much Zlatko. I will close out today's presentation with a review of some of the key areas of achievement over the recent years, as well as providing an insight into the areas on which we are focusing, as we now pursue the next level of value creation as a focused global Pooling Solutions company. We will provide more detail on these focus areas including targets and longer term guidance for our performance at our investor day, which will be held in Sydney in December of this year.

I'd like to start by quickly recapping the simplification of Brambles over the past 10 or so years, which has led us on the path to becoming a focused Pooling Solutions company. I will not talk about every event on this timeline, but I wish to emphasise that this year's decision to demerge Recall is really the culmination of a long-term journey that began with the merger of the support services arm of GKN back in 2001. This gave Brambles control of CHEP and then also, the sale of Cleanaway, BIS and other business during the '05 and '06 period, those steps provided the foundation on which we've been able to build since I became CEO in 2009. I'm very pleased to say we have been able to address a number of key issues, including customer satisfaction and quality product concerns, defining, articulating and now implementing our growth strategy and of course taking the decision to demerge Recall. We have made a series of successful acquisitions to support our strategy to diversify and here most notably is the RPCs business of IFCO. But also, we've taken steps in Containers through Pallecon and CAPS, in IBCs and through Unitpool, JMI and Driessen in the Aerospace sector.

Now, we have talked about our business for several years in the context of four strategic themes and just to remind you, those themes of Diversification, Cost Leadership, Go To Market and People & Leadership. Clearly, our growth strategy has largely been about the first of those points. That is diversification. As this slide shows, our developed market Pallets operations today accounts for about 68% of our Pooling Solutions sales revenue. This compares with 80% when I became CEO in 2009. Now, that is despite the fact that we have increased developed market Pallets sales revenue over this period by about US$300 million. We've done that organically. In addition, we acquired the PMS and Paramount businesses. Now, as a result of strong organic growth and the IFCO acquisition, we have taken the share of sales revenue in RPCs from 5% in '09 to about 16% in FY13. Containers sales revenue, while going up by approximately US$130 million over the period, has remained steady at about 6% of total group sales. Emerging markets Pallets operations, with a compound annual growth rate of 17% over the period as shown on the right-hand chart, still only account for 10% of our revenue. Again, this reflects the strong contribution to growth that we've achieved in the developed markets.

Now the map on this slide gives an indication of the new markets we have entered in the Pallets business over the past four financial years. Developed markets are shown in blue, and emerging markets in light yellow, with the new markets entered in a darker yellow. These include the Balkan and Baltic states, Central American countries and new countries in the Middle East. You will note here that Peru and Columbia also are highlighted on this map, as we are currently entering these two countries. Now, these two countries will enable us to leverage the expertise that we have built up over many years in Latin America. We can enter with an overhead-light strategy, as the markets take advantage of core support functions which are already in place elsewhere in Latin America.

Now looking at the Pallet segment a bit more closely, these two charts showing return on capital invested on the left hand, and on the right the ratio of sales revenue to average capital invested. I believe these show how we've managed to grow sales and profit while improving capital efficiency following the decision during FY10 to reinvest in quality in the USA. The black line represents the total Pallets business, and the blue, yellow and grey lines represent the Americas, EMEA, and Asia-Pacific regions. While we are committed to delivering further improvement, these figures demonstrate our ability in established businesses to leverage our scale and our invested capital base to deliver growth without diluting return on capital. It also gives an indication of how we are starting to see the benefits in our results of the many small steps that we have been taking to improve our asset efficiency.

Now this slide on our cost base highlights how we have kept costs as a percentage of sales in check in the Pallets business during the period, despite some challenges with inflation, a pretty muted pricing environment, and our commitment to continue to invest in quality and the development of new initiatives. This reflects the delivery of savings under the global Pallets efficiencies program. Now just to highlight a couple of the differences by region. The lower transportation cost in the Asia-Pacific region is really reflective of the exchange model that exists in this country, while the lower plant cost ratio in EMEA is primarily a reflection of the lower cost of lumber and various different pooling models in that region. We have also shown plant costs for Americas, both including and excluding the PMS business as plant costs are higher as a proportion of sales revenue in the PMS service line. So if you exclude PMS you can clearly see the delivery of the better every day efficiencies coming through since FY10.

Now the purpose of going through some of the achievements of the past few years was simply to highlight that we are now at a natural point of inflection. Now that we are nearing our goal of becoming a single global business focused exclusively on Pooling Solutions, we have a superb opportunity to address some of the key issues that we believe can unlock further opportunities to generate value for our shareholders. At present we are working through a series of reviews, the outcome of which we'll be in a position to share with you at the investor day in December. I believe we can place the opportunities on which we are focused into three broad areas of focus: allocating capital to high value growth opportunities, emphasising operational and asset efficiency, and leveraging our global scale and footprint are the three areas of focus. Now the nine points I have called out to the right are just some of the examples of the areas that we're pursuing. Without question we will continue to invest in a disciplined way in growing our global RPCs and Containers businesses. We will, in high-growth, high-return sectors such as the IFCO operations in North America, and the global CHEP Pallecon Solutions businesses, here we will continue to allocate capital to support the very strong rates of growth. Across all of our platforms we will continue to assess and enter high-potential emerging markets, as we've identified with Peru and Columbia. We are also making strong progress with new pallet offerings, with good growth in quarter and display pallets in Australia, Western Europe and Canada. Discussion is ongoing with key partners in the US about diversifying our product offering in that country. Where efficiency is concerned we have one more year of delivering IFCO PMS integration synergies, and two more years to go on our existing operations and logistics program in the Pallets business. We are making continued progress with asset efficiencies throughout the group. Moreover, we have greater insight into our overhead structure than at any time before. We are confident that we can develop and deliver a meaningful program for cost reduction in this area over the years ahead. Not the least is through the continued development and delivery of process standardisation and shared service models, as we have started to do through the consolidation of many of our back-office finance operations into key regional third-party centres of excellence. I am also personally very confident that our increased focus and ability to act and grow as one business will develop a stronger more value-orientated culture that will be to the benefit of our shareholders.

So in summary, we have delivered another strong result in line with our guidance, demonstrating again our ability to generate growth in sales, profit and returns despite the relatively flat global economic conditions. The demerger of Recall is on track, enabling Brambles to become a truly focused global Pooling Solutions business. We are forecasting another year of sales and profit growth for Brambles, excluding Recall, at the same time as we continue to invest for the future.

Well thank you very much for listening today. We will now open for Q&A.

QUESTION AND ANSWER

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

Great. The first call -- the first caller with a question on the line is Scott Kelly from Morgan Stanley.

Scott Kelly - *Morgan Stanley - Analyst*

Thanks James. Good morning Tom, morning Zlatko. Sorry Tom, can I just bring you back to some previous guidance that you provided around some of the divisions, and just to see if you reiterate them. First of all USA margins, 25% by FY15 excluding the PMS and the EMEA, 22% by FY14. RPC sales growth 15%, and Container margins are 20% by FY16.

Tom Gorman - *Brambles Limited - CEO*

Yes so, look you've mentioned a number of things there, so let me approach each of these. First I might just say that the intent at the investment market briefing later in the year, as I've indicated in some of my prepared comments, is that we will do a much deeper dive in terms of longer term outlook for a number of key areas, with a particular focus really on the Containers business and the RPCs business at that time. Now let me address your questions. If you look at the margin growth in the Americas business, we never actually said 25%. What we said was that we would have margins in the mid-20s over a period of time, and we believe that. That excludes the PMS business. The PMS business, the impact is a little bit more than 200 basis points on the total. So we believe we're -- we continue to remain on track to deliver that objective. In terms of the growth rate of the RPC business, we said very clearly that our objective was to grow that business at 15% in the year, and we didn't achieve that. Really even though the US delivered 18% as shown in our data, our expectation was for higher growth than that. So at the mid-term we reduced our outlook and we said we would grow about 10%, and that's what we delivered in the year. When we look forward into the coming year, -- our expectations are [for growth] broadly in line with FY13. We continue to see very strong growth in the RPCs space, and again Europe, US, and Latin America should be strong. Your last question was really around the Containers business. Honestly what we talked about in Containers was over a period of time getting to a strong return on capital. So I don't believe that we ever shared any insight in margins, but again the focus here is to get returns on capital in excess of our cost of capital and obviously publicly we've said that we've been targeting a 20% return, and we'll give more insight into that at the investor day in December.

Scott Kelly - *Morgan Stanley - Analyst*

Okay, thank you. Also EMEA, was the-[margin guidance reiterated]?

Tom Gorman - *Brambles Limited - CEO*

Yes, a margin question there. Again the same question in terms of EMEA margins in the mid-twenties. What we actually said was that we would get from -- when we were talking was a half year, the margin was 20.2% if I remember exactly. We said we would see a 2% to 3% margin improvement. We're on track to deliver that.

Scott Kelly - *Morgan Stanley - Analyst*

Okay. So just in terms of the guidance that's been provided for this year, if I look at the underlying FY13 result on 30 June exchange ex-Recall, and the US$40 million of efficiencies that are targeted for next year, and net new business wins of around US$60 million, you pretty much are there with minimal growth across the business. Did you expect -- is there -- are the headwinds coming from higher costs?

Tom Gorman - *Brambles Limited - CEO*

Look I think there are a number of things. First of all we've given a range, and the range is, as we've said, from 4% to 8%. I think there are a number of things. I think 1) you have to put the context of -- you have to look at FY13 in context, particularly the growth that we achieved in the Pallets business in the Americas, and more specifically in the US. We had a very strong year in terms of customer wins, net new wins, and a lot of that was recapturing business from one of our competitors over the last couple of years. We've seen that, plus very strong margin expansion, and that gives us very strong Underlying Profit growth in the Americas in the year. We still are forecasting growth, but most of the -- so much of the growth came from net new wins last year. One of the things we tried to show in the slide with looking at rollover, we will have good momentum coming into the year but we don't forecast growth as robust in the Americas as we've experienced last year. So that is a component of it. I think when you look at the RPC business; I think there are a couple of things going there. We still see very strong growth, but there are two things. One, we did put quite a bit of investment into the RPCs business last year, so there is an impact of depreciation in the Underlying Profit performance, as well as we are spending a bit more money on marketing as we grow that business out. So in essence, in terms of year-on-year, there are those factors. We did identify that we would be investing about US$25 million in business development in the year. That money is consistent again in FY14. So there's not an increase, but some may be assuming that that was a one-off spend, and that's not the case. A lot of that business development, particularly if you look at the Containers sector where Zlatko identified a US$9 million increase year-on-year, that really is structure that now exists to build that business out, and that structure remains with the business through the year.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

The next question comes from Cameron McDonald at Deutsche.

Cameron McDonald - *Deutsche Bank - Analyst*

Yes, hi guys. Good FY13 results. It's a similar question to Scott's really around the guidance. So Tom, are you saying there are no incremental costs going in? Because again, the same issue, I get to pretty much the middle point, if not the top end, of the guidance range without any growth.

Tom Gorman - *Brambles Limited - CEO*

Yes, look there is a small amount of incremental cost, but last year we identified US$25 million. I think in total when you add it all up it was about US$26 million. Look, it's a small amount of cost that we have in place. Look, Cameron what we do is there's a number of projects when we start the year that we want to initiate. We hold that money really in the corporate centre and then we allocate it to the businesses as we go forward. That's a relatively small number, nowhere near the increment that you saw in '13 over '12.

Cameron McDonald - *Deutsche Bank - Analyst*

So you -- some of these new markets that you've entered into over the last 12-18 months are supported with these business development costs. Are they continuing to drag into FY14? Are they actually going to be profitable in the -- in FY14 or are they not performing to the level which you would have expected?

Tom Gorman - *Brambles Limited - CEO*

No I think -- look, I don't think that's -- that's not how I would characterise it. So let's just take the Containers business specifically. We've identified that there are US$9 million year-on-year in business development costs. That's not a study that we purchased and then put on a shelf, right? Those are real people that are now running that business. So we put operations people in place, marketing people in place. We put a little bit of business development people in place. They don't go away. It's -- particularly in the Containers business we've identified, this is building for the long-term future. So the immediate leverage of that is not apparent in FY14, but we're committed to a long-term play here, and we'll continue to build those businesses out. So in simple terms, you don't see the immediate leverage in every one of the business units, and the cost is not -- again, it's not a one-off study that we bought, it's really putting structure in place to drive efficiencies. Now having said that Cameron, I would also add that my closing comments here are really around the recognition that we have -- we have more clarity than we've had in the time that I've been here. We are very much now a focused Pooling Solutions business. Once we get through that -- the end of this calendar year, that's what our business will be. We think this gives us a unique opportunity to really address a more global efficient company. We've obviously started some of that, which we shared with the market last year when we began the work, particularly within the finance function. We think there's a lot of room here for us to develop centres of excellence and that's what we're going to press aggressively on. You're just not seeing any of that flow-through in FY14.

Cameron McDonald - *Deutsche Bank - Analyst*

Okay, thanks.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

The next question comes from Simon Mitchell from UBS.

Simon Mitchell - *UBS - Analyst*

Good morning. Just on slide 8, you've talked about contribution to FY13 numbers from new contracts, or new business wins. I can't see anywhere where you've actually given us the new business won during the period, which obviously will contribute to future years. I think during the February result for the first half; that number was US$99 million for the Pallets. What was that during the second half?

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

Hi Simon, it's James speaking. We've changed the way we present that. You might recall following the results last year, there was a degree of confusion about what the difference between net new business won, and annualised new business was. So we have done away with that definition of annualised new business. What we're showing you now is the components of net new business in FY13 -- in the financial year on the left hand chart on that slide, which is broken down into business that rolled over from the previous year, and business won during the year. Then on the right hand side we're showing you the rollover into the next year from the year just gone.

Simon Mitchell - *UBS - Analyst*

Okay but that doesn't take account of contracts you've actually won?

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

That is contracts won during FY13 -- but it's just the value in FY13 over FY12, it's not an annualised value.

Tom Gorman - *Brambles Limited - CEO*

If you look at FY14, what you're getting is the rollover and then we've broken it out by region. So we come into strong -- we come into the year with strong rollover as exhibited there when you look at the '14 estimate, which is broadly, broadly speaking with -- equivalent to what we came into FY13 with. It's broken out by Americas, EMEA and Asia-Pac. So what we're trying to do here, with a complicated concept, is actually to make it a little bit clearer and give you a sense here, on -- just on the Pallets side, and as I mentioned in my prepared comments, the methodology doesn't really work as well with RPCs and the Containers space. So we gave in the numbers here. Look, I think we can give you some more granularity if that's helpful, probably offline if there's some components of the slide that are confusing.

Simon Mitchell - *UBS - Analyst*

Sure. Just on Americas, Tom could you comment on the underlying volume and pricing conditions in that market, excluding the contract win-backs?

Tom Gorman - *Brambles Limited - CEO*

Yes. Look I think -- I don't think things have changed much from where we have been talking all along. I know that there's a -- that from an external factors perspective there are positive signs in the Americas, particularly in the US. If you look at housing prices, housing starts, equity markets, there are things where you would say the balance sheet of consumers in the US are getting better. We still have not seen that flow through in any way to consistent and sustainable consumer demand. I don't think we're unique on that. I think when we talk to other guys in our space and we talk to our customers, we're all experiencing really the same. For that matter, we really see a relatively muted environment in both price and organic growth. So it's -- in reality we're really talking about 1% in each area. Probably in terms of organic growth a little bit less than 1% and in terms of price, again, maybe just better than 1%. Not really that much different than what we have seen over the past couple of years.

Simon Mitchell - *UBS - Analyst*

Okay, thank you.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

The next questioner is Matt Spence from Merrill Lynch.

Matt Spence - *Merrill Lynch - Analyst*

Hi guys. Just the Containers division. So you did business development cost of US$9 million in the Containers division, and obviously the returns in that sector haven't been great to date. Are you now at the point at where you've -- you're done on the business development cost in Containers? Or do we assume a similar amount -- I know you're saying similar amount for the overall business, but I'm just wondering about Containers.

Tom Gorman - *Brambles Limited - CEO*

Yes no, look I think last year was a big -- was a step change for us. Jason Rabbino has been on board now, he's running that group. Once we move to a platform or customer-based structure where we have a global head of Pallets, a global head of RPCs, and a global head of Containers, our commitment is to build this out for the long term benefit of our shareholders. So we made a step change last year in putting that team together. So when Jason came on board, we had talked quite some time about building a structure that was going to allow him to deliver what we think he can deliver in the near-term future. So I don't see that same level of step up again. We will continue to grow the business, to be clear, both organically and potentially through smaller acquisitions. It does take resources to do that, but nowhere near that step up of US$9 million that we saw last year.

Matt Spence - *Merrill Lynch - Analyst*

Yes, okay. Then in France and Iberia -- so France flat over the year, Iberia still -3%. Can you just talk about Europe's conditions, particularly Western Europe, for a second? Is there any sign of improvement there in July, August?

Tom Gorman - *Brambles Limited - CEO*

You know, it's interesting. That's really the same, that's just the other side of the coin on the question of the US. Again -- it's the same thing here. We really remain relatively -- I don't want to say that we're negative. I think we're realists as we plan the year. What we try to do is we try to come into the year with a clear understanding -- our best understanding of what -- really we look at what's going to happen organically, what's going to happen in a pricing environment, and then what do we think we can achieve from the market-share growth? Those are the three drivers when we enter the year. Because we have a relatively muted view on both the pricing environment and organic growth, that gets us focused on cost. It -- to be very blunt. So we are going to grow our business, there's no question we will deliver growth in the year. Most of that growth is going to come from market-share expansion and net new wins. That's really -- that's -- we've been on that track really for the last several years. That means that we then have to make sure that we cut the cloth to fit the suit here. That we have to deliver a cost structure in line with our market expectations. I think it would be irresponsible for us to assume that somehow we're going to see an automatic change in the environment. We still have very high unemployment rates, particularly in Southern Europe. Yes we're making great progress with new customers; yes we're getting some breakthroughs with retailers. But that we've written down as -- that's the -- where the growth is going to come from. Look, when we see a sustained period of improvement, and that really, we'd have to see a consistent quarter of solid change and organic growth, other than that we're broadly in the range of 1% organic and 1% price. That holds in most of our well-established markets around the world.

Matt Spence - *Merrill Lynch - Analyst*

Thanks.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

Thank you. Russell Shaw from Macquarie is up next.

Russell Shaw - *Macquarie - Analyst*

Morning gents. Tom, I guess you're going to get this question in a variety of different ways, but again if you go to look back in your sales revenue bridge on slide 7 in your presentation, your growth from Pallets outside of new wins is almost getting up to the level where you're giving those to customer wins. That alone should give you 2% next year, and assuming it will only improve, albeit at a gradual pace, you've got 2% from efficiencies, another 1% from new wins that you've identified, and obviously nothing which you win in the next 12 months. Why so conservative on that guidance? What are we missing?

Tom Gorman - *Brambles Limited - CEO*

Well look I think you are correct in that we are going to get this question from many different angles. So we can have one point of agreement. Look I think as I've tried to say, there are a couple of things going on here. We do see growth in the coming year. I think you have to just recognise that FY13 for us, particularly in Pallets in the Americas, you had two very strong improvements. You had very, very strong top line, largely powered by win-backs of customers lost in previous years, and we had very strong margin improvement in that business unit. We do see growth in the year ahead, but you're not going to get the same level of growth. We don't anticipate that out of the US. We are not really banking very strongly at all on an organic environment or a strong pricing environment. The second biggest component of our business now, ex-Recall, is really the RPCs business. As I've indicated, we have invested aggressively; you can see that in the capex numbers. So we are seeing a bit of an increase in depreciation for the RPCs business in the coming year. We also are spending a little bit more money on marketing. We think that that's the right thing to do as we strengthen our market position, particularly in the US. We're confident that we'll deliver growth. Look, I don't think that -- look, I think that we take a realistic view to where we sit today. It's very easy to be bold in July and August, and then apologise for 11 months. You guys know that's not how we run our business. We try to give the most accurate assessment of how we see the market playing out, and we just do not see a fundamental change in most of our mature markets. The moment we see that, and we -- if we have a different view on the upside, we would obviously communicate that. You will notice this year that we've narrowed our range. So we think ex-Recall that we have a better call on our business. Typically we give a US$60 million range. We've narrowed that. We're confident we can deliver within the range.

Russell Shaw - *Macquarie - Analyst*

Right. You mentioned the RPCs business with increased depreciation. I think -- are those the two major drivers that saw a broadly flat operating result in the second half?

Tom Gorman - *Brambles Limited - CEO*

It's more of a -- I was really commenting on '14, going forward. But there was some of that affect in the second half of '13 as well, you're correct.

Russell Shaw - *Macquarie - Analyst*

So with that -- with all that investment, what is your expectation around top line growth, if you're putting in all the capex ahead of contract wins? I presume you're targeting more than 10% this year?

Tom Gorman - *Brambles Limited - CEO*

Now look, we're not going to really give guidance by specific business unit. We're comfortable providing Underlying Profit guidance for the business in total. Rest assured the business is going to grow, and it's going to grow strongly in the year.

Russell Shaw - *Macquarie - Analyst*

Right. Then just finally you mentioned about some increased retailer acceptance in Germany, Tom. Could you be more specific on the retailers? Is it all in [inaudible] or some smaller retailers?

Tom Gorman - *Brambles Limited - CEO*

No, we're making good progress across a number of retailers. I think when -- if there is something again material that we are comfortable announcing, and our customers are comfortable talking about, we'll clearly go ahead and do that.

Russell Shaw - *Macquarie - Analyst*

Thanks.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

Thanks Russell. Anthony Moulder from Citi has the next question.

Anthony Moulder - *Citigroup - Analyst*

Good morning. I'll just -- a couple of questions from me. First if I can look into the IPEP charge, that really hasn't changed despite you talking through the presentation about increased asset control. Can you give some guidance as to -- or some thoughts around when we should expect to see that increased asset control coming through to the numbers?

Zlatko Todorcevski - *Brambles Limited - CFO*

Anthony, it's Zlatko. I think you are seeing that come through the numbers. So you're seeing a relatively flat IPEP expense but keep in mind that volumes and issue volumes are increasing, and what we described is an impact there in Europe in particular as we go through our five-year audit plan, but clearly offsetting that impact in Europe was a much improved environment in the US. So I'd say we are seeing it and it's definitely something that's on the agenda for the investment market briefing in December when we can give you some more clarity about our expectations around asset management in total.

Anthony Moulder - *Citigroup - Analyst*

Okay. Yeah, I'll look forward to that. Secondly, is -- can you comment on the alignment? I think you said some change to the alignment of spend in Asia in particular around supply chain modernisation. Can you comment on what that means effectively for I guess China?

Tom Gorman - *Brambles Limited - CEO*

Yeah. Well, I'm happy to do that. I mean it really is - I tried to be as clear as I could so I'll just reiterate some of the comments. I mean, look, we are a business that requires modern supply chain and modern distribution for our business really to be successful. We are absolutely committed to China, we are absolutely committed to growth in India, and we are still delivering growth in both markets. But as you guys know, and we've said repeatedly, the development of that market, particularly in China, really was starting with a focus on closed loops, static hire, building the brand, building the concept, working towards pricing methodologies that were well understood and trying to drive toward common platforms. Our business really requires a fungible asset, so the more you can drive a common practice and common platform, the more likely the model is to be successful. So we're absolutely still committed to that. But what we have seen is that our focus is now shifting to really driving dynamic pooling. We are going to see a significant increase in our pooled issues in China this year, but reality is it's coming off a very, very small base, so a significant increase still is a relatively small number of pooled volume. And we have taken -- you know, we've taken a decision that just putting more assets up there and only for static hire or only for closed loop are not getting us an acceptable return on capital. So we will continue to do that but we are going to moderate our investment and we clearly are focused on driving dynamic pooling. And that, look that's not a change this year. I mean we've been working on that trajectory to build dynamic flows. You know, I've talked to the market about how we define an area and sort of 125, 150 kilometres around a major distributor. We believe that that's a market where pooling can and will work. We've done that in a number of studies. So that's what we're really trying to focus on is to build capability, build network density in that way and not just put assets up there for people to rent and put in a warehouse and never move, because we simply don't get the return on capital that we think we need.

Anthony Moulder - *Citigroup - Analyst*

Fair enough. And last question from me, can you talk to obviously from coming off one of your competitors in the US was General Mills, PepsiCo; there's still a couple out there. How confident are you that you'll be able to put your arms around some of those volumes if and when they come out?

Tom Gorman - *Brambles Limited - CEO*

Look, we are still talking to, you know, all of the customers, you know, that were our former competitor’s, so you know, we must be blunt here, so IGPS's large customers. But we are still in dialogue with those. But I mean our planning for the year does not assume that we are going to win any incremental volume back. I mean, there are other competitive choices. I think the market assumes that, you know, with the bankruptcy of IGPS that all of a sudden that market is not competitive but we have a very strong well-capitalised competitor and we are focused on pursuing the right business at the right return that makes sense for both our customers and for us. So we have not gone into the year assuming that we are going to win incremental business.

Anthony Moulder - *Citigroup - Analyst*

Fair enough, thank you.

Zlatko Todorcevski - *Brambles Limited - CFO*

Thanks, Anthony. Nick Markiewicz from Credit Suisse.

Nick Markiewicz - *Credit Suisse - Analyst*

Morning everyone. I guess my question is more around the gross capex and the US$110 million shortfall that you didn't spend. I was just wondering why you didn't spend that elsewhere in the business, given the material revenue opportunities you expected.

Tom Gorman - *Brambles Limited - CEO*

Well, I think that -- first of all, I mean, I think we're trying to be very disciplined in terms of capital allocation. We clearly could have spent US$110 million and then you'd be asking me why we spent US$110 million with no return. So what we're really trying to focus on here is deploying capital in line with our expected returns. So what we did is we set about a course to grow, but this is particularly in the Containers business. We've identified that the gestation period to win some of those customers has taken longer than anticipated, so we did not win some of the business that we -- when we established that objective of US$550 million, we were comfortable deploying that capital if in fact we won the business. And remember, our business is one that you get the customer then you deploy the capital. So we didn't win the customer so we didn't need to deploy the capital. I will however just remind you though that that was really meant to be an organic statement. We were going to spend US$550 million organically. If you look at what we've done in Pallecon, roughly US$180 million for the acquisition of Pallecon, which really gives us a major step-up, particularly in Europe, but also here in Australia. A very strong company, integrated extremely well and if you add that acquisition, the capital for that acquisition to the total, you know, you get a little bit north of the US$550 million. So we're confident we're deploying capital into the Containers group, there's no question we're continuing to do that, it's just that a component of it came through acquisition rather than organic growth.

Nick Markiewicz - *Credit Suisse - Analyst*

Right, okay, and are you in a position to give FY14 capex guidance?

Tom Gorman - *Brambles Limited - CEO*

No, not at this time. I mean it's a safe assumption, you've seen the last two years, you know. Broadly speaking there's been US$1 billion roughly of capex. I think you just have to remember that Recall will be out of the numbers, so there's a little bit -- we're still working through the separation of Recall, and once that's behind us I think we'll get a better read of exactly kind of the outlook for the full year, but Recall will come out of the numbers at the half year obviously

Nick Markiewicz - *Credit Suisse - Analyst*

Right, and if you could rank your growth capex priorities in terms of regions and products for the next 12 to 18 months, what would the top three be?

Tom Gorman - *Brambles Limited - CEO*

So RPCs in the US continues to be a major opportunity for us. We expect very strong growth again this year in that market. As I said in my prepared comments, we have great penetration with our retailers. They're adopting this supply chain innovation extremely well and we continue to see growth opportunities there. You are going to see RPCs growth in Europe as well and we've mentioned a number of retailers so that's going to be strong, we believe, in the year. And then beyond that I would say broadly speaking it's probably pallets in emerging markets, so continued growth in Latin America, continued growth in Eastern Europe and those are probably the three areas that will drive the growth most notably. Now, that's not to say that we're not adding new customers in every one of our markets, but as we've shown in the slide that perhaps is a little bit confusing but we have a bit of rollover coming into the year and when you have that level of rollover there is some capital that will be required to support that. But I think the real short term growth initiatives are the ones that I've mentioned.

Nick Markiewicz - *Credit Suisse - Analyst*

Right. So just simplistically there seems to be a bit of a disconnect then in terms of where the growth capex is going in terms of predominantly the RPCs business but then RPCs earnings growth 10% compared to 15% which was previously expected. Can you just give a bit of colour on that disconnect, please?

Tom Gorman - *Brambles Limited - CEO*

Yeah. No, so I think you're talking -- you're confusing a little bit revenue and we said that we would deliver 15% at the beginning of last year in the RPCs business. We came in and we adjusted that to say we were really looking more in the range of 10% growth. We've clearly indicated that the US in the year grew at 18% which was a component of delivering that overall 10% and so we haven't given specific guidance for RPCs in FY14. But look, we still see it as a very strong growth component of our business and that's unchanged, and 10% growth is robust and 18% in the US in particular is extremely positive and we remain very optimistic and bullish on that going forward.

Nick Markiewicz - *Credit Suisse - Analyst*

Okay, thank you.

James Hall - *Brambles Limited - Senior Director, Investor Relations & Corporate Affairs*

Next question is Andrew Gibson from Goldman Sachs.

Andrew Gibson - *Goldman Sachs - Analyst*

G'day guys. Just back on the business development costs. I know you say that in Containers it was an incremental [inaudible]. Can you just break down that US$26 million in absolute dollars, so how much actually was spent in Containers in the year just gone and then where was the rest spent?

Tom Gorman - *Brambles Limited - CEO*

Yeah, I think that actually in Zlatko's presentation you actually can see that laid out by the business units as shown so I'll pass it over to Z.

Zlatko Todorcevski - *Brambles Limited - CFO*

Yeah, so that was the incremental in FY13 compared to the prior year, and as you go through the presentation you can see we call out the business development cost by each of the groups.

Andrew Gibson - *Goldman Sachs - Analyst*

Okay, and that's absolute rather than incremental?

Zlatko Todorcevski - *Brambles Limited - CFO*

No, that's incremental on the prior year.

Andrew Gibson - *Goldman Sachs - Analyst*

It's incremental, yep.

Zlatko Todorcevski - *Brambles Limited - CFO*

Yeah, but '13 was the year where we called out the business development costs.

Andrew Gibson - *Goldman Sachs - Analyst*

Yeah. Anyway, I'll circle back.

Tom Gorman - *Brambles Limited - CEO*

Those bridges are a walk so those are incremental changes so that's why the US$9 million jumps right out at you in terms of the Containers business. So Containers had about US$9 million, Asia Pacific was US$2 million, EMEA was about US$6 million and there was another US$9 million in the Americas, broadly speaking.

Andrew Gibson - *Goldman Sachs - Analyst*

I was just wondering, I understood the increment is US$9 million but just what the absolute number was?

Tom Gorman - *Brambles Limited - CEO*

Look, we're not going to disclose that level of granularity. It all gets dropped into the overheads now as I said. This is not a study that went on the shelf and then that's a one-off. You know, these are people that are driving the development of those businesses.

Andrew Gibson - *Goldman Sachs - Analyst*

All right. No, fair enough. And look, similar to Anthony's question earlier, just looking at the movement in cash flow, you've got proceeds from PP&E went up. I assume that's mostly compensation on Pallets. Is that sort of volume related or you did a bit better in recoveries there or you were cycling one-offs in the prior period?

Zlatko Todorcevski - *Brambles Limited - CFO*

Yeah, it's a combination of things in there Andrew, so yeah, it's predominantly around pallet compensation and look, generally there is a trend to pallet compensation declining but we have put a focus on compensations, particularly in countries outside of Australia say where it's a little bit more standard. It also includes amounts where we've settled arrangements with large customers for the year, so, but predominantly it relates to compensations for pallets.

Andrew Gibson - *Goldman Sachs - Analyst*

Okay, so you've obviously done a bit better there if your loss rates are declining.

Zlatko Todorcevski - *Brambles Limited - CFO*

That's right, yep. And as you think about that loss rate declining trend, you should expect compensations to decline but clearly we did better in 2013 than the prior year.

Andrew Gibson - *Goldman Sachs - Analyst*

Okay, and then just on D&A are you able to give some guidance as to what you think the full year number will be?

Zlatko Todorcevski - *Brambles Limited - CFO*

Yeah, as Tom said, Andrew, we're not providing that level of granularity. Look, it doesn't vary a great deal but as Tom indicated, you should expect some movement around the depreciation for IFCO.

Andrew Gibson - *Goldman Sachs - Analyst*

Okay, and then just finally in Europe, can you just talk about what you're experiencing just by way of quality and if we're seeing sort of further increments in spend there?

Tom Gorman - *Brambles Limited - CEO*

No, I think that on a European perspective, you know, we've talked for quite some time about the incremental quality spend and I think you all know that we are users of Net Promoter Score now, we have been for the last number of years, so we're getting good granular feedback from our customers. So you know, we have invested incrementally and we now are at a position where we think the overall investment to support a quality level we need in Europe is appropriate this year. If that were to change and we think that we need to do something differently we would articulate that, but the incremental spends that we've had over the last couple of years, we don't have that in FY14 in Europe.

Andrew Gibson - *Goldman Sachs - Analyst*

And look, just finally, at the risk of being greedy, but the competitive dynamic in the US, I mean you've touched on it already but as it -- do you think there's been any change following what's happening in IGPS? Has your other competitor actually stepped up and become more aggressive to fill that void? So is the platform like-for-like despite the demise of IGPS?

Tom Gorman - *Brambles Limited - CEO*

I would actually look at it from a different perspective. I wouldn't -- I would look at it from the customer lens. So those that were being served by IGPS -- IGPS still exists by the way. It's got a different name and it's restructured and the like, but -- a different ownership for sure, but it still exists. It's still serving customers. So it's not like after they went through the court proceedings that they stopped serving, but they clearly are. I think the more important thing is the customer lens. So from the customer point of view, if they are making a decision that they want to go in a different direction, I think our customers view it as they have two choices. I think they have two -- okay not -- we're different choices, but they have two credible choices. The customer dialogue I think is going on with -- well it's clearly going on with us, I can confirm that, but I'm relatively certain that they're talking to our competitor as well. You would expect that. These are customers that elected to go to a startup because they were unhappy with us. We think we've made a heck of a lot of progress over the years and I'm sure we have, but they still have choices out there. I don't think IGPS is a viable choice, but as they look at other alternatives, it's us and Peco, and they have every right to go through that. We'll do everything in our power to convince them that from a value perspective we're the right choice, but as I said we're not coming in to the year planning any significant major win-backs that are left. There's really not much left, but we're not assuming that we're going to get it.

Andrew Gibson - *Goldman Sachs - Analyst*

I was just wondering if you think that you'd know if Peco -- if you believe that they've made more inroads, that they've got more scale to offer now, and hence arguably they are a more viable competitor that they have been in that past?

Tom Gorman - *Brambles Limited - CEO*

I would like to correct a statement, because we have always said that they were a very viable competitor. At their recapitalization we identified them as a viable competitor. We think we're very different in how we go to market. We've also said they are a rational competitor. That's only to juxtapose with IGPS, that we felt had a business model that was not sustainable. We think Peco has a sustainable business model. Look, we do battle in the market with them every day. So that hasn't changed, and I believe we've been very consistent on saying that they're a credible competitor. I think the moment we think we don't have a competitor, I think we're on the path to a very bad outcome. Our team in the US is very cognizant of the competitive threat that exists, in the same way that the guys with -- the LPR/EPS combination in Europe focus on. We do not operate in a competitor-free environment. We have a strong market position, and we want to leverage that strong market position into continuing to satisfy our customers. That's what we're focusing on. Peco is a viable competitor.

Andrew Gibson - *Goldman Sachs - Analyst*

Thanks guys.

James Hall - *Brambles Limited - Senior Director, Investor Relations & Corporate Affairs*

Final question is from Scott Ryall from CLSA.

Scott Ryall - *CLSA - Analyst*

Thank you. So unsurprisingly I'm going to ask a question about the guidance, but I am going to frame it slightly differently. In this year you've done on constant currency 11% Underlying Profit growth for total Pooling Solutions. I make it roughly 6% of that 11% was contributed by Pallets Americas. So to get down to next year, if I leave all the other divisions flat, or sorry the same as the year just gone, you would need to halve the growth rate in the Americas to get to 8% and you'd need to have zero growth in Americas to get down to 4%. It's just a way of illustrating I think the same question everyone's asking, in the sense of why so -- or why is it -- why does it look low to all of us? Could you just help me out, because I can't imagine you think the Americas is going to be flat? I can't see any reason from your commentary why EMEA, Asia-Pac, RPCs or Containers would be materially worse than what you delivered in fiscal 13, so I'm just trying to reconcile getting to a range of 4% to 8%.

Tom Gorman - *Brambles Limited - CEO*

Yes well again I think you have asked the same question in a different way. First of all I appreciate the question, but I think again we've tried to identify this, that particularly in the Americas it was quite a unique year, where we had very, very strong win-backs. I think you have to recognize that it was both win-backs in the year, plus the roll-over effect, the US in particular delivered very, very strong top-line growth in the year. That's undeniable. We don't see that same level of growth repeating itself this year, although we are committed to delivering growth without a doubt. But they had very strong top-line growth, particularly in the US. We also by the way did see strong growth in the PMS business so the combination of all of that is driving a strong Americas number. So again, strong growth but maybe not as strong as last year. The other thing that I just mentioned in terms of the RPC business, we are seeing -- in terms of the top-line growth, we still are seeing strong top-line growth, but in terms of the Underlying Profit growth in the year, we are impacted by those two issues that we think -- well one of them is just a function of investment that we've made in the short term, and the second one is a recognition on our part that we are going to continue to -- we are adding some marketing expense to drive value going forward. So that's where we are.

Scott Ryall - *CLSA - Analyst*

All right. So you don't think you get the margin improvement that -- ongoing margin improvement in the RPCs business that you saw last year for instance?

Tom Gorman - *Brambles Limited - CEO*

No look, we're committed to continuing to expand the margins in the RPC business, but I think when you look at '14, because of those two factors, and the strong performance that we got last year, that's not going to be repeatable, that same strong year-over-year performance.

Scott Ryall - *CLSA - Analyst*

Okay. That's probably a good segue into a question around margins. Last -- at the full-year result last year you spoke to the fact that this year was a another year of investment, which you've clearly done, and that fiscal 14 would be where you started to see some of the margin improvement across the board. Embedded in your guidance, is there an expectation of margin growth that goes along with your feeling of your return for investment, or are we looking at fiscal 14 as a year of investment, and fiscal 15 where you see a lot of the benefit, which seems to be coming through in some of the commentary.

Tom Gorman - *Brambles Limited - CEO*

What I think I've said repeatedly, is we are focusing on improving on return on capital, and focusing on strengthening our business. So it's not just being a slave to Underlying Profit margin, although we are getting margin expansion year-on-year. So I don't think that -- again, I don't think that's anything different than what we have said previously. I think the only difference that you're seeing here year-on-year is within the RPCs business, those two factors that I've mentioned. We continue to see ourselves growing this business and continuing to drive improved return on capital. That's what we're focused on. You're going to see that throughout the year. Again I think we're going to try to give a little bit more insight post the demerger of Recall, when we get together in December and talk a little about that more, about the future going forward. We are going to continue to get improvement, but within the RPC business, which is now a significant part of our total, we're just not seeing that in FY14.

Scott Ryall - *CLSA - Analyst*

Okay. Just to confirm there, the two factors you mentioned are increased depreciation expense from the previous investment, and the increased marketing expense for fiscal 14 to drive growth. They're the two?

Tom Gorman - *Brambles Limited - CEO*

Yes those are the two drivers, yes.

Scott Ryall - *CLSA - Analyst*

Okay. On six you provided a delivery -- on slide 6 you provided a delivery scorecard. Obviously you've got a couple of the metrics there, but -- that -- where you've given an outlook for this year. Any additional commentary around targets, or is it mainly around the Underlying Profit that you want to give us at this stage?

Tom Gorman - *Brambles Limited - CEO*

Yes I think it's just really, we're going to stick to what we have today. We have given in the past so much granularity on every piece of the business here. I think that we are going to -- we're focused on delivering in the range that we've talked about. I think we have given you good breakout on where the businesses sit. Obviously you guys are all looking at where are the challenges and opportunities in that outlook, which throughout the year we'll have plenty of opportunity to discuss further. As we do every year, we'll give -- there's a normal rhythm or cadence that we have in terms of market updates, and we'll continue to provide that.

Scott Ryall - *CLSA - Analyst*

All right, great. Thank you.

Zlatko Todorcevski - *Brambles Limited - CFO*

Thanks everybody.

Tom Gorman - *Brambles Limited - CEO*

Thanks for the questions. Yes, look forward to catching up with you in the weeks ahead. Thank you.